

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 599 - SB 751

March 27, 2009

SUMMARY OF BILL: Creates a scholarship program for students who have an annual household income less than two and one-half the income standard for eligibility for the federal free and reduced price lunch program, resides in Tennessee, and was eligible to attend a public K-12 school in the preceding semester or is starting school for the first time. Eligible students may attend a participating school until graduation from high school or reaching twenty-one years of age. Creates guidelines for the awarding of scholarships to students. Waives tuition at private schools beyond scholarship amount. Requires the Department of Education to keep state BEP dollars that would have been generated by the student and given to the local education agency if the scholarship amount is less than the amount needed for tuition. Creates participation eligibility requirements for non-public K-12 schools. Requires the DOE to annually inform parents and students of which private K-12 schools will be participating in the program, create a standard application form to be used for admission into a private school, send participating schools student records in compliance with federal law. Sets forth provisions to disqualify private schools. Requires local education agencies (LEAs) to provide transportation to students participating in the program.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – \$1,408,000/Recurring
\$7,500/One-Time**

**Increase Local Expenditures – \$936,000/BEP funds
\$4,895,490/Recurring***

Other Fiscal Impact – BEP funding will shift to the public or private schools where participating students transfer. This shift in funds is estimated to be approximately \$394,843,700.

Assumptions:

- Based on voucher programs in other states, the average rate of participation is one to five percent. For the purposes of this estimate a five percent participation rate is used.
- Total average daily membership (ADM) is approximately 946,300 students. Approximately 50 percent of the ADM are on free and reduced price lunch.
- Five percent of the total ADM (47,315) will participate. It is estimated that approximately 25 percent of those (11,829) will chose to go to a private school. The others will transfer to a public school outside of their regularly zoned school. Fifty percent of the students choosing to go to a private school (5,915) will be on the free or reduced price lunch program.
- All participating children will be counted in their home district for the purposes of ADM.
- Average per pupil expenditure is \$8,345. BEP funding will shift to the public or private school where a participating student transfers. The total shift in funds will be approximately \$394,843,675 ($47,315 \times \$8,345$).
- For students on the free or reduced price lunch program, the total cost of the tuition to a private school of their choice will be paid for. It is assumed that some private schools charge tuition that is higher than the \$8,345 shift in BEP funding. Any difference in funding will be paid for the by local LEA since there is not a change in the BEP formula.
- Tuition for private schools in Tennessee range from \$1,200 to \$20,000 plus. An average tuition cost is not available. However, it is estimated that 50 percent of participating students (2,958) on free or reduced price lunch will attend a school that has an annual tuition of \$10,000 or more. A difference of \$1,655 in private tuition and the BEP per pupil expenditure for these students will be an increase in local expenditures of approximately \$4,895,490 ($2,958 \times \$1,655$).
- Participating students will be provided with transportation to and from the school of their choice. Though the total number of students transported is not changed, the average daily miles traveled will increase. Therefore the BEP formula portion for transportation will increase. A five percent increase is assumed.
- An increase of five percent in the average daily miles traveled will be 310,298 (base is 295,522). According to the DOE, this increase will generate approximately \$1,288,000 in state BEP expenditures and approximately \$936,000 will be required in local BEP matching funds.
- The DOE will hire one education consultant (\$70,000) and one administrative assistant (\$35,000) to administer this program. Salary, benefits, and approximately \$15,000 in costs for travel, rent, and other

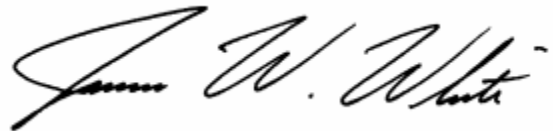
recurring supplies will be \$120,000. Approximately \$7,500 in one-time state expenditures for office landscaping.

- Any cost to the DOE to promulgate rules and regulations for this program is estimated to be not significant.
- Total increase in local expenditures for BEP matching funds will be approximately \$936,000.
- Total increase in recurring expenditures that will be incurred solely by LEAs will be approximately \$4,895,490.
- Total increase in recurring state expenditures will be approximately \$1,408,000 (\$1,288,000 + \$120,000).

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly distinguishable.

James W. White, Executive Director

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